



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



In Reply Refer To:
FWS/AWSR/FA

Memorandum

To: Regional Federal Assistance Chiefs

From: Assistant Director for Wildlife and Sport Fish Restoration Programs

Re: Revised Guidance for Wildlife Restoration and Sport Fish Restoration grant programs consistency compliance with 50 CFR 80.15(e) - 3 percent limitation on central services



Recent audits of State agencies have disclosed that some State grantees have not applied for a restricted rate for Wildlife Restoration and Sport Fish Restoration grants that would limit indirect cost for State central service to 3 percent of the State's annual apportionment (the 3 percent limitation). Auditors have determined that in several cases this resulted in over reimbursement of federal funds. This memorandum provides guidance for consistent compliance with 50 CFR 80.15(e) and outlines responsibilities of the State, Service personnel and the auditors with regards to this program requirement. This memorandum revises guidance issued August 16, 2005¹.

Both the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act require States to limit indirect costs for State central services to 3 percent of the annual apportionment to the State. The Service has interpreted and codified this requirement in 50 CFR 80.15(e). This regulation requires administrative costs in the form of overhead or indirect costs for State central services outside of the State fish and wildlife agency² to be in accord with an approved cost allocation plan and not to exceed in any one fiscal year 3 percent of the annual apportionment. The term "indirect costs for State central services" applies to indirect costs assessed through a Statewide Allocation Plan and does not apply to the cost of central services which are billed or allocated directly to the grantee agency. This regulation sets two requirements for indirect costs for State central services to be allowable for reimbursement. First, the costs must be in accord with an approved cost allocation plan. Second, the costs shall not exceed 3 percent of the State's annual apportionment.

¹ Guidance memorandum issued August 16, 2005, incorrectly cited this requirement at 50 CFR 80.15(d) which was the location prior to April 6, 2001.

² OMB Circular A-87, Attachment C describes this cost as allocated central services costs and are part of a State's "State Wide Central Service Cost Allocation Plan" or SWCAP.

Rules for preparing a cost allocation plan in OMB Circular A-87 provide for a State to request a special rate or “restricted rate” when federal statutes restrict the reimbursement of certain indirect costs as is the case with the 3 percent limitation. This means that if a State anticipates central service charges to Wildlife Restoration and Sport Fish Restoration grant programs in excess of 3 percent of the annual apportionment, then that State must apply for and receive an indirect rate that restricts the amount of central services charged to 3 percent of the annual apportionment if it intends to request reimbursement for those central services. Attached to this memorandum is an example of the analysis necessary to determine if a restricted rate may be required. Due to the requirement that indirect costs for central services be in accordance with an approved cost allocation plan, a State may not simply adjust the rate it charges to grants on its own so that the central services do not exceed the 3 percent limitation. Further, due to the unique calculation of the 3 percent limitation, the calculation cannot be done retrospectively.

The States are responsible for complying with all the rules and regulations of the grant programs for which they are participating. The following both outlines the roles and responsibilities of the State, the Service and the auditor, and provides two options (minimum and preferred) to comply with the requirements of 50 CFR 80.15(e).

States

Under the minimum option, the State must establish policies and procedures to address the regulation. These policies and procedures must include measures to address:

- Documenting steps to calculate and ensure that indirect costs for central services will not exceed 3 percent of the annual apportionment;
- Ensuring that the State applies for and receive a restricted indirect rate if the calculations show that the limitation will be exceeded and the State intends to request reimbursement for central services;
- Applying the rate correctly.

The preferred option is that the State adopts a policy of applying for and receiving a restricted indirect rate as a general rule. This is the preferred option because it eliminates the record keeping, monitoring and audit requirements of the minimum option. Under the preferred option, the State needs only to ensure the rate is applied correctly.

The Service

Under the minimum option, the Service’s regional offices must establish policies and procedures to address the regulation. These policies and procedures must include measures to address:

- Reviewing documentation and results of the steps taken by the State to ensure that indirect costs for central services do not exceed 3 percent of the annual apportionment;
- Ensuring that the State has applied for and received a restricted indirect rate if necessary;
- Determining that the rate was applied correctly.

Under the preferred option of applying for and receiving a restricted indirect cost rate, the Service’s regional office would need only to determine the rate was applied correctly.

The Auditor

Under the minimum option, the auditor must examine the policies and procedures established to address the regulation. The examination must include:

- Auditing the documentation and results of the steps taken by the State to ensure that indirect costs for central services do not exceed 3 percent of the annual apportionment;
- Auditing the mechanism that ensures that the State has applied for and received a restricted indirect rate if necessary;
- Determining that the rate was applied correctly.

Under the preferred option of applying for and receiving a restricted indirect cost rate, the auditor need only determine the rate was applied correctly.

If you have any question concerning this guidance, contact me or Patrick McHugh, Chief, Audit Branch at (703) 358-2156.

Attachment

A handwritten signature in black ink, appearing to read 'P. McHugh', is written over the date stamp.

SEP 06 2005

USFWS Division of Federal Assistance

Attachment to guidance memorandum on consistent compliance with 50 CFR 80.15(e).

The purpose of this attachment is to provide an example of a calculate that would ensure that indirect costs recovered for central services would not exceed 3 percent of the State's annual apportionment.

Analysis of Wildlife and Sport Fish Restoration Programs limitation on central service costs

Step one - calculate three percent of annual apportionment

200X PR/DJ Apportionment:

A	Wildlife Restoration (PR)	\$	-
B	Sport Fish Restoration (DJ)		-
C	Total	A + B	\$ calculation
D	Multiplied by 3%		<u>3.0%</u>
E	50 CFR80.15(d) Limitation	C x D	<u>\$ calculation</u>

Step two - determine SWCAP that will be reimbursed by PR/DJ

F	SFY 200X Direct Costs of Allocation Base Charged to PR/DJ Grants (do not include non-cash or in-kind costs.)	\$	-
G	SFY 200X Total Agency Direct Costs of Allocation Base (before adjustments for capital expenditure or passthrough funds)		<u>-</u>
H	Ratio of PR/DJ Direct Costs to Total Agency Direct Costs	F / G	\$ calculation
I	SFY 200X SWCAP		<u>-</u>
J	SWCAP Applied to PR/DJ in 200X	I x H	<u>\$ calculation</u>

Step three - compare SWCAP reimbursed by PR/DJ and 3% of apportionment

If **E** is greater than **J**: Indirect costs for central services will not exceed 3 percent of the annual apportionment.

If **E** is less than **J**: Indirect costs for central services may exceed 3 percent of the annual apportionment. State will applying for and receiving a restricted indirect rate.